

CGL IM Financial Management Limited

Integrity, Collaboration and Commitment



## Industrial Market Remains Resilience

Czech Republic

Q1 2024

### Market Outlook

The Czech Republic, a medium-sized open economy, heavily relies on exports. The industrial sector, with an emphasis on the automotive industry, forms the cornerstone of the economy. In Q3 2023, trade with the EU accounted for 78% of total exports, of which Germany alone constituted 33%. In Q3, GDP dropped by 0.5% q-o-q due to lower household final consumption expenditure and a decrease in inventories. The performance of exports for automobile industries continues to support manufacturing growth. With the high inflation continuing to slow economic growth, the economy is on the brink of recession in 2023. However, with the revival in household consumption and receding inflation, GDP is expected to leave contraction and gradually recover by 1.2-1.9% in 2024.

The logistics market in the Czech Republic is stabilizing, finding a new balance between supply and demand after notable growth in past three years. Demand has returned to the five-year average from the pre-pandemic period, while rental prices have stabilized after increasing by 70% since 2020. In Q3, 10 new industrial projects added a total of 182,800 sqm, bringing the modern stock in the Czech Republic to a total of 11.44 million sqm. Although leasing activity slowed to 181,600 sqm in Q3, the vacancy rate remained low at 1.49%, indicating a tight market...

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